Congress of the United States

Washington, DC 20515

May 27, 1999

BY FACSIMILE
The Honorable T.J. Glauthier
Deputy Secretary of Energy
Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Deputy Secretary Glauthier:

Thank you for testifying at the joint hearing on May 20, 1999, entitled "Global Climate Change: The Administration's Compliance with Recent Statutory Requirements," before the Senate Subcommittee on Energy Research, Development, Production and Regulation and the House Subcommittee on National Economic Growth, Natural Resources and Regulatory Affairs. During the hearing, you agreed to respond promptly to followup questions.

Please provide the information requested in this letter not later than June 18, 1999 to the Senate Subcommittee staff in Room 308 Dirksen Senate Office Building and the House Subcommittee staff in Room B-377 Rayburn House Office Building. If you have any questions, please contact Counsel Colleen Deegan at 224-8115 or Professional Staff Member Barbara Kahlow at 226-3058.

Thank you in advance for your attention to this request.

Sincerely,

Don Nickles
Chairman
Subcommittee on Energy Research
Development, Production and
Regulation

David M. McIntosh
Chairman
Subcommittee on National Economic
Growth, Natural Resources and
Regulatory Affairs

Attachment

cc: The Honorable Frank Murkowski
The Honorable Jeff Bingaman
The Honorable Dan Burton
The Honorable Dennis Kucinich

Followup Questions for DOE Deputy Secretary Glauthier

Q1. In the House Subcommittee's review of the agencies' documents responsive to the House Subcommittee's March 1998 oversight letters to the agencies about the Administration's global climate change initiative, you, in your role as then OMB's Program Associate Director over all natural resource agencies, were revealed as a principal in the planning and decisionmaking process, especially regarding the level of funding for the various Administration initiatives. Since OMB produced only a fraction of the documents addressed to you or authored by you that were included in the agencies' documents, please describe the search you performed in response to the House Government Reform Committee's June 26, 1998 subpoena to OMB for all responsive documents.

Q2. a. Since the documents provided by OMB in response to the House subpoena revealed your active participation in the decision to increase the five-year spending request from +$5.0 billion in October 1997 to +$6.3 billion in February 1998, please indicate all of the principal White House complex officials involved with you in this decision and the rationale for the huge increase in requested funding after the December 1997 international meeting in Kyoto.

b. Please describe Vice President Gore's involvement.

Q3. a. Please explain why the President's April 1999 report to Congress does not include one or more program performance measures for each of DOE's 11 line item Budget accounts with climate change funding.

b. When will these performance measures be available for Congress to consider in this year's appropriations process so that the American people can understand what results they would get for their tax dollars?

c. When will 1990 baseline data be available for each of DOE's climate change performance measures?

Q4. CEA Chair Janet Yellen estimates that the Kyoto Protocol, if flexibly implemented, would cost the U.S. no more than $14 to $23 for every ton of carbon reduced or avoided. We believe that Dr. Yellen's estimate provides a "performance goal" for evaluating the CCTI programs and funding requests. Every major CCTI program element should reduce carbon emissions for a cost less than $14 to $23 per ton. Otherwise, some CCTI proposals or initiatives would be more expensive, on a per ton basis, than the Kyoto Protocol itself. Such costly proposals or initiatives would fail what we propose to call "Janet Yellen Test."

a. In DOE's judgment, do all the major CCTI program elements pass the Yellen Test?

b. Has DOE estimated the per ton cost of carbon reduced for each CCTI program by line item appropriation account? If not, why not?

c. Please provide estimates, by line item appropriation account, of the cost per ton of carbon reduced. If DOE is unable to make such estimates, please explain why.

d. If DOE cannot provide such estimates, does DOE still believe that Congress has enough information to justify enactment of the proposed tax credits? If so, why?

Q5. DOE's Energy Information Administration (EIA) calculated a rough tax revenue loss for each ton of carbon reduced from the CCTI tax credits. Using a 7% discount rate, EIA found that the CCTI tax credit programs cost anywhere from $28 to $273 per ton of carbon reduced. For example, the buildings equipment tax credits would cost $117 per ton of carbon reduced; the wind utility tax credit, $218 per ton; and the buildings shell tax credits, $273 per ton. Similarly, Jerry Taylor of the Cato Institute, in his testimony, estimated that the heat pump tax credit would cost $666 per ton of carbon reduced. Those estimates suggest that all CCTI tax credit proposals fail the Yellen Test.

a. Does DOE agree with the cost per ton estimates provided by EIA and/or Mr. Taylor? If not, why not? What are DOE's estimates of the cost per ton of the CCTI tax credits?

b. Does DOE believe, in general, that voluntary programs, such as the proposed CCTI tax credits, should be less expensive than mandatory programs, such as those required for complete compliance with the Kyoto Protocol?

c. Assuming for the sake of argument that EIA's analysis is correct and the CCTI tax credits would cost anywhere from $28 to $273 per ton in lost revenue, would DOE consider withdrawing its support for the proposed credits? If not, why not?

Q6. DOE's EIA estimates that the CCTI tax credits for buildings, industry, and transportation would reduce primary U.S. energy consumption in 2010 only three-hundredths of one percent (0.03%). Similarly, EIA estimates that the tax credits for wind and solar power would reduce carbon emissions in 2010 by less than two-tenths of one percent (0.17%).

a. Does DOE concur with EIA's analysis? If not, why not?

b. What is DOE's estimate of the reduction in energy consumption in 2010 from the CCTI tax credits for buildings, industry, and transportation?

c. What is DOE's estimate of the reduction in carbon emissions in 2010 from the CCTI tax credits for wind and solar power?

Q7. In its March 2, 1999 report to the House Science Committee, DOE's EIA states: "We are unable to link research and development expenditures directly to program results or to separate the impacts of incremental funding requested for fiscal year 2000 from ongoing program expenditures." In contrast, DOE appears to believe that it can estimate the results of R&D programs and funding increments for such programs. For example, the President's April 20th report states, "By 2010, DOE's building technology programs will lead to reductions in greenhouse gas emissions of up to 36 million metric tons of carbon equivalent annually." Similarly, the April 20th report states, "By 2010, DOE's renewable energy programs are expected to ... reduce annual carbon emissions by nearly 24 million metric tons of carbon equivalent."

a. Does DOE believe that it can link R&D expenditures directly to program results, and that it can separate the impacts of incremental funding increases from ongoing program expenditures?

b. If so, please explain what facts or methods EIA failed to employ or take into account that would have enabled EIA to make the same emission reduction estimates as DOE.

Q8. Assuming DOE's estimates are correct, the most cost-effective component of the entire CCTI is the proposal to extend the licenses of existing nuclear power plants. For an annual appropriation of $5 million, this initiative will supposedly avoid 150 million metric tons of emissions per year. In other words, that $5 million -- about one-tenth of 1% of the Administration's total climate change budget -- accounts for more than all other projected emission reductions in the April 20th report.

a. If global warming is the dire threat the Administration seems to believe it is, why doesn't the Administration propose to license the construction of new nuclear power plants?

b. In light of the apparent cost-effectiveness of nuclear power in avoiding carbon emissions, does DOE believe that environmental organizations like the Sierra Club should rethink their traditional opposition to nuclear power?

Q9. DOE's EIA estimates that most of CCTI tax credits would go to "free riders" -- those who would have purchased the energy efficient product or made the energy efficiency investment anyway, without a special tax preference or inducement. EIA estimates that free riders would constitute 60% of the people receiving tax credits for the purchase of natural gas heat pumps, 82% of the businesses receiving tax credits for investment in combined heat and power systems, 93% of the utilities receiving tax credits for investment in wind generation, 97% of the utilities receiving tax credits for investment in biomass generation, 98% of the people receiving tax credits for the purchase of alternative fuel vehicles, and nearly 100% of the people receiving tax credits for installation of rooftop solar power.

a. Do you concur with EIA's estimates of the extent of the free rider problem? If not, do you agree that the percentage of free riders for several of the proposed tax cuts would be large?

b. Does DOE have its own estimate of the percentage of free riders for each tax credit? If so, please specify for each proposed tax credit the likely percentage of free riders.

c. If EIA's estimates are correct, or even remotely in the ball park, what environmental benefits would the CCTI tax credits for alternative fuel vehicles, wind generation, and solar generation achieve beyond the business as usual baseline?

Q10. In his testimony, Jerry Taylor of the Cato Institute argues that, even assuming the correctness of the Administration's emission reduction estimates, CCTI would provide essentially no protection from the potential risks of global climate change. Mr. Taylor makes the following observations: (a) the world's most advanced climate model predicts that full implementation of the Kyoto Protocol would lower global temperatures 0.07 degrees Celsius by the year 2050; (b) the U.S. emits about 20 percent of the world's greenhouse gases, which implies that U.S. compliance with the Kyoto Protocol would reduce global temperatures 0.014 degrees Celsius by 2050; (c) according to DOE and EPA, their contribution to CCTI would reduce U.S. greenhouse gas emissions by no more than 452 million metric tons -- about 65 percent of the U.S. Kyoto target; (d) therefore, CCTI would reduce global temperatures .0091 degrees Celsius below where they otherwise would be by the year 2050. Mr. Taylor concludes: "Such a change in temperature is too small to measure. Moreover, I defy the administration to argue that this infinitesimal reduction in temperature will affect the lives of the American people one whit."

a. Do you concur with Mr. Taylor's assessment? If not, please specify which steps in his reasoning you disagree with and why.

b. Mr. Taylor's analysis suggests that CCTI makes sense as climate change policy only in connection with the Kyoto Protocol and other, even more stringent greenhouse gas emission control treaties. Yet, in the Conference Report accompanying the 1999 VA-HUD Appropriations Act, Congress instructed the Administration to show how "these [climate change] programs are justified by goals and objectives independent of implementation with the Kyoto Protocol." Please explain why CCTI is sensible climate change policy separate and apart from the Kyoto Protocol.